



A Passionate Voice for Compassionate Care

340B DRUG DISCOUNT PROGRAM

THE ISSUE

Section 340B of the Public Health Service Act requires pharmaceutical manufacturers that participate in the Medicaid program to provide covered outpatient drugs at a discounted rate to safety net and other health care facilities serving low-income, vulnerable communities or remote rural areas. The significant pharmacy discounts available under the program allow hospitals to continue to provide and expand needed services that otherwise would not be available in these communities.

Six types of hospitals are eligible to participate in the 340B discount drug program: disproportionate share hospitals (DSHs), children's hospitals and cancer hospitals exempt from the Medicare prospective payment system, sole community hospitals, rural referral centers, and critical access hospitals (CAHs). To be eligible a hospital must be nonprofit, be owned or operated by or under contract with state or local governments, and provide a significant level of care to low-income patients or serve rural communities. Several kinds of non-hospital entities that receive federal funding are also eligible for the program, including federally qualified health centers (FQHCs) and "look-alikes," and programs under the Ryan White CARE Act.

Congress created the program as a response to the high pharmaceutical costs faced by safety net hospitals. Purchasing outpatient pharmaceuticals through the 340B discount drug program allows safety net and rural hospitals to continue to meet the local needs of their patients and communities and "to stretch scarce Federal resources as far as possible, reaching more eligible patients and providing more comprehensive services." Many Catholic health ministry hospitals rely on the 340B discount to free up funding, for example, to run free and low-cost clinics; to provide infusion and other services in remote or low-income areas; to offer generous financial aid policies as well as programs that provide low-cost or free prescriptions; to maintain critical services that operate at a loss; and to support community benefit programs meeting the identified needs of their service areas. The 340B program plays a crucial role in providing access to health care in the communities served by the ministry.

Only hospitals that provide a significant level of care to low-income patients or serve rural communities are eligible to be in the 340B program. In 2015 340B hospitals of all types provided \$23.8 billion in uncompensated care and \$51.7 billion in total benefits to their communities. 340B DSH hospitals account for only 38 percent of all Medicare acute care hospitals but they provide nearly 60 percent of all uncompensated care, and are much more likely than non-340B hospitals to offer vital health care services that are often unreimbursed, including trauma centers, HIV/AIDS services, and outpatient alcohol/drug abuse services. These hospitals operate under heavy financial burdens. In 2015, one out of every four 340B hospitals had a negative operating margin, and one in three 340B critical access hospitals (CAHs) had a negative operating margin.

MINISTRY TRADITION

As the Catholic health ministry our mission is based upon the social teachings of the Church, which call us to respect the human dignity of each person, promote the common good, have special concern for low-income and other vulnerable persons, and be responsible stewards of resources. These foundational beliefs drive the Catholic health ministry's long-standing commitment to ensure that every patient has access to quality care regardless of ability to pay, and that all persons in our communities reach their highest potential for health possible. The 340B program plays an important role in enabling Catholic hospitals to meet these commitments in serving their communities.

CHA'S POSITION AND ACTIVITIES

CHA supports measures to strengthen the 340B program consistent with its original intent: to allow safety net and rural hospitals to serve more people and provide more comprehensive services by giving them access to lower cost outpatient drugs. CHA supports:

- Adequate funding for the Health Resources and Services Administration (HRSA) to ensure compliance with 340B program requirements
- Steps to make sure that drug manufacturers are not overcharging covered entities, including completion by HRSA of a secure web-based pricing system to allow hospitals to confirm they are being charged the right price
- Immediate implementation of rules allowing HRSA to assess civil monetary penalties against manufacturers that knowingly or intentionally overcharge
- Rescission of the steep cuts to reimbursement for 340B drugs in the Medicare Outpatient Prospective Payment System

In the 115th Congress CHA endorsed The Stretching Entity Resources for Vulnerable (SERV) Communities Act (H.R. 6071), introduced by Rep. Doris Matsui (D-CA), to safeguard the integrity of the 340B program and restore the \$1.6 billion reduction in reimbursement for 340B drugs in the Medicare Outpatient Prospective Payment System (OPPS); and H.R. 4392, a bipartisan bill introduced by Rep. David McKinley (R-WV) to block implementation of the OPPS cuts. CHA also supports the American Hospital Associations' 340B Good Stewardship Principles.

CHA has serious concerns with proposals that would change the intent of the program; take services away from communities by reducing the number of safety net providers who are eligible; limit access to affordable pharmaceuticals for low-income and other vulnerable patients; impose reporting requirements that are overly burdensome and do not provide relevant information; or limit the ability of providers to use 340B savings to reach more eligible patients and provide more comprehensive services.